

**PUBLIC DISCLOSURE**

**September 29, 2014**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**SOUTHBRIDGE SAVINGS BANK**

**23524**

**253 MAIN STREET  
SOUTHBRIDGE, MA 01550**

**Division of Banks  
1000 Washington Street  
Boston, MA 02118**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Southbridge Savings Bank (or the Bank)**, prepared by the Division, the institution's supervisory agency as of **September 29, 2014**. The agency evaluates performance in the assessment area as it is defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts regulation 209 CMR 46.00.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."**

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each of these two tests is summarized below:

#### **Lending Test: "Satisfactory"**

- Southbridge Savings Bank's loan-to-deposit ratio of 103.2 percent is more than reasonable given the institution's size, financial condition, and credit needs of its assessment area.
- A majority (79.1 percent) of the Bank's residential loans and small business loans are inside the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The geographic distribution of loans reflects an adequate dispersion throughout the assessment area.
- The Bank has not received any CRA-related complaints since the last CRA evaluation.

#### **Community Development Test: "Satisfactory"**

The institution demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering its capacity and the need and availability of such opportunities for community development in the assessment area.

## **SCOPE OF THE EXAMINATION**

The Division conducted this evaluation using Intermediate Small Bank procedures. An Intermediate Small Bank is an institution with assets of at least \$300 million as of December 31 of both of the prior two calendar years, and less than \$1.202 billion as of December 31 of either of the prior two calendar years, adjusted annually. These procedures include two performance tests: the Lending Test and the Community Development Test. This evaluation considered the Bank's lending and community development activities since the last CRA evaluation dated June 20, 2011. The data and applicable timeframes for the Lending Test and the Community Development Test are discussed below.

The Bank is primarily a residential lender. This is reflected in the Bank's most recent Consolidated Report of Condition and Income (Call Report) as of June 30, 2014, which shows sixty-five percent of the Bank's loan portfolio is residential. For purposes of this evaluation, greater emphasis is placed on the Bank's residential lending performance as it was the Bank's primary lending focus throughout the evaluation period. Small farm loans were not considered in this analysis since the Bank did not make any small farm loans during the evaluation period. Consumer lending is not included in this analysis since it accounts for a minor portion of the Bank's overall lending activity and the Bank does not collect information regarding such activity.

The Lending Test focused on home mortgage and small business lending. Home mortgage lending data analyzed included full-year data from January 1, 2012 through December 31, 2013 and partial year data from January 1, 2014 through September 30 2014 (YTD2014). Information related to home mortgage lending was derived from the Loan Application Registers (LARs) maintained by the Bank, pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs contain data about home purchase and home improvement loans, including refinancing, of one-to four-family and multifamily properties (five or more units). The evaluation emphasized the Bank's home mortgage lending performance in 2012 as this is the most recent year for which aggregate lending data was available. The Bank's home mortgage lending performance is compared with aggregate HMDA data, which is a measure of home mortgage loan demand. Aggregate lending data reflects the lending activity of all HMDA reporting lenders that originated at least a single home mortgage in the Bank's designated assessment area. The Bank's home mortgage lending performance was also compared with demographic data. Home mortgage lending data for 2013 and YTD 2014 is referenced to illustrate trends in the Bank's lending data; however, the Bank's 2012 performance is weighted more heavily for purpose of assigning a rating.

Small business lending data was also analyzed. For the purposes of this evaluation, small business loans are defined as commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less. The Bank's small business loan data was derived from a report of all small business loans originated in 2012, 2013 and YTD 2014. As an Intermediate Small Bank, the Bank is not required to collect and report small business loan data. The Bank's small business lending activity was not compared with small business aggregate data, as these data represent larger institutions that are required to report small business data. Instead, small business lending performance was compared to demographic data.

The Community Development Test included an analysis of the Bank's qualified community development loans, investments, and services for the period of June 21, 2011 through September 29, 2014. Qualified community development grants and donations for the same time period were also included. Qualified equity investments currently held by the Bank were also included

regardless of investment date. The investments were valued at the September 30, 2014 book value.

Demographic information is from the 2010 U.S. Census unless otherwise noted. Financial data was derived from the June 30, 2014 Report of Condition and Income (Call Report).

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Southbridge Savings Bank is a Massachusetts-chartered stock savings bank established in 1848. In 2008, when the institution was reorganized into a mutual bank holding company structure, Southbridge Savings Bank became the sole subsidiary of Green Valley Bancorp, Inc. (Bancorp), also of Southbridge, Massachusetts, a mid-tier stock bank holding company wholly owned by Green Valley Bancorp, MHC, Southbridge, Massachusetts (MHC), and the top-tier mutual bank holding company. The Bank has one subsidiary, SSB Securities Corp., a Massachusetts securities corporation. The Bank became a state member bank of the Federal Reserve Bank of Boston on January 29, 2014. In addition to the main office located at 253 Main Street, Southbridge, the Bank maintains eight full service branches as follows: Southbridge, Charlton, Holden, North Oxford, Spencer, Sturbridge, Webster and Worcester. Two of the Bank's branches are located in Big Y supermarkets. The distribution of the Bank's locations include two in moderate-income census tracts; five in middle-income census tracts; and two in upper-income census tracts. In addition, the Bank maintains a Commercial Services and Investment Services office in close proximity to the Bank's main office located in a moderate-income census tract. ATM services are offered at all locations.

Since the last Divisions examination the Bank relocated its Charlton office in October of 2012 from 63 North Main Street (upper- income census tract) to 2 Center Depot Road (middle-income census tract).

Southbridge Savings Bank is a full-service financial institution offering a wide variety of products and services. The Bank offers a variety of home financing programs for the purchase, refinance, or construction of residential property and first time home buyers programs. The Bank also offers secured and unsecured consumer loans including home equity loans, lines of credit, personal loans, and automobile loans. In addition, the Bank offers a wide variety of Investment Services that are not FDIC insured.

As of June 30, 2014, the Bank's assets totaled \$441.6 million, with total net loans and leases of \$367.1 million, or 83 percent, and total deposits of \$352.5 million, or 80 percent.

The Bank is primarily a portfolio residential lender, but also sells some residential loans to the secondary market. Being a portfolio lender allows the Bank to lend to borrowers on properties whose qualifications may not conform to general underwriting standards, and also allows the Bank to use more flexible mortgage underwriting criteria, benefiting low- and moderate-income borrowers within the assessment area. Selling to the secondary market also provides borrowers with more financing options and competitively priced rates. Though the Southbridge Savings Bank is primarily a residential lender, it also offers consumer and commercial loans to meet the credit needs of the local community.

Table 1 illustrates the current distribution of the Bank's loan portfolio.

<b>Table 1</b>		
<b>Loan Distribution as of June 30, 2014</b>		
<b>Loan Type</b>	<b>Dollar Amount \$(000's)</b>	<b>Percent of Total Loans (%)</b>
Construction & Land Development	6,970	1.9
1-4 Residential – Revolving	16,487	4.5
1-4 Residential – Closed-End	206,133	56.2
Multi-Family	16,236	4.3
Nonfarm Nonresidential	75,421	20.6
<b>Total Real Estate Loans</b>	<b>321,247</b>	<b>87.5</b>
Commercial & Industry	31,380	8.6
Consumer Loans	14,450	3.9
<b>Total Loans</b>	<b>367,077</b>	<b>100.0</b>

*Consolidated Report of Condition and Income as of 06/30/2014.*

As noted in Table 1, approximately 60.7 percent of the loans are secured by residential one to four-family properties, followed by commercial real estate loans at 20.6 percent, and commercial loans at 8.6 percent. Multi-Family loans are at 4.3 percent, Consumer Loans represent 3.9 percent of loans and Construction & Land Development are at 1.9 percent. Total real estate loans account for 87.5 percent of the total loan portfolio.

Southbridge Savings Bank was last examined by the Federal Deposit Insurance Corporation (FDIC) and the Division for compliance with the CRA on June 20, 2011 in accordance with the intermediate small institution performance standards. The examination resulted in a "Satisfactory" rating from the FDIC and a "High Satisfactory" from the Division.

There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. Based upon the Bank's asset size, product offerings, and branch network, its ability to meet the community's credit needs remains strong.

### **Description of Assessment Area**

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Bank's assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries, unless otherwise permitted by the regulation, (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

Southbridge Savings Bank has defined its assessment area as 24 cities and towns: Thompson and Woodstock in Connecticut; and West Brookfield, North Brookfield, Spencer, Paxton, Holden, Worcester, Oxford, Webster, Dudley, Charlton, Southbridge, Sturbridge, East Brookfield, Brookfield, Warren, Palmer, Monson, Holland, Brimfield, Ware, Auburn, and Leicester, all located in Massachusetts. The assessment area expands across Worcester County, Hampshire County, and Hampden County in Massachusetts; as well as Windham County in Connecticut, located respectively in Worcester, MA Metropolitan Statistical Area (MSA), Springfield, MA MSA, and in a CT non-MSA. While the assessment area is comprised of sections of two MSAs, and one non-MSA, it is contiguous and is not considered to extend substantially beyond the state

boundary. For the purposes of this CRA evaluation, the entire assessment area is included in the overall analysis. Nevertheless, the bank's lending activity within each MSA and non-MSA will be reviewed separately by the following counties: Worcester County, Hampshire County, and Hampden County; as well as Windham County, Connecticut.

The assessment area as currently defined meets the technical requirements of the regulation as it includes whole geographies and does not arbitrarily exclude low- or moderate-income areas or expand beyond state boundaries.

Refer to Table 2 for pertinent demographic information about the assessment area.

<b>Table 2</b> <b>Assessment Area Demographic Information</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A % of #
Geographies (Census Tracts)	92	14.1	23.9	46.8	13.0	2.2
Population by Geography	397,888	13.4	20.9	49.6	15.2	0.9
Owner-Occupied Housing by Geography	96,249	4.0	15.0	61.4	19.6	0.0
Business by Geography	31,826	15.8	18.4	49.2	16.5	0.1
Family Distribution by Income Level	98,629	25.6	18.5	22.1	33.8	0.0
Distribution of Low and Moderate Income Families throughout AA Geographies	43,507	20.7	26.2	43.8	9.3	0.0
Median Family Income (MFI)		\$70,502	Median Housing Value			\$258,476
Families Below Poverty Level		9.3%				
Households Below Poverty Level		13.0%				

*Sources: 2010 US Census Data; 2012 HUD Median Family Income, 2012 Business Geo-demographic Data, 2013 Bureau of Labor Statistic*

As the data in Table 2 shows, the Bank's assessment area consists of 92 census tracts, of which there are 13 low-income census tracts (14.1 percent), 22 moderate-income census tracts, (23.9 percent) 43 middle-income census tracts (46.6 percent), 12 upper-income census tract (13.0 percent) and 2 N/A income census tract (2.2 percent).

The assessment area has a total population of 397,888 residing in 98,629 family households. Of all family households in the area, 25.6 percent are low-income, 18.5 percent are moderate-income, 22.1 percent are middle-income, 33.8 percent are upper-income and 9.3 percent are families below the poverty level. Of the 77,227 households, 14,174 or 18.4 percent are low-income and 10,460 or 13.5 percent are moderate-income and 5,701 or 13.0 percent are households that are below the poverty level.

The assessment area consists of 170,645 total housing units, of which 96,249 or 56.4 percent are owner-occupied, 58,557 or 34.3 percent are rental units and 15,839 or 9.3 percent are vacant units. The median housing value in 2010 for the assessment area was \$258,476 and the median age of the housing stock was 54 years.

The FFIEC adjusts the median family income (MFI) of metropolitan areas annually, based on estimates. The MFI for low-income is defined as family income less than 50 percent of the area median income; moderate-income is defined as income of at least 50 percent and less than 80 percent of median income; middle-income is defined as income of at least 80 percent but less than 120 percent of median income; and upper-income is defined as 120 percent of median income and above. The following table displays estimates of the MFI for the assessment area.



<b>Table 3</b> <b>Median Family Income Comparison</b>					
<i>Year</i>	<i>MSA/MD</i>	<i>MFI</i>	<i>Year</i>	<i>MSA</i>	<i>MFI</i>
2012	44140 – Springfield, MA (MSA)	70,200	2013	44140 – Springfield, MA (MSA)	66,100
2012	49340 – Worcester, MA (MSA)	83,600	2013	49340 – Worcester, MA (MSA)	81,300
2012	Connecticut (Non MSA/MD)	83,200	2013	Connecticut (Non MSA/MD)	82,600
2012	Massachusetts (Non MSA/MD)	89,500	2013	Massachusetts (Non MSA/MD)	52,400

The housing stock in the assessment area consists predominately of 1-4 family housing units, mobile homes, and other units (82.1 percent). In addition, multi-family units account for 17.9 percent of the housing stock. The median housing value in the assessment area is \$249,503, compared to the state median value of \$352,300. The housing value in the assessment area has increased significantly since the last CRA examination in 2011, where the median housing value in the assessment area was \$120,809, and the state median value was \$182,800. This increase in housing costs may adversely affect the number of families able to qualify for mortgages.

Data obtained from the 2012 Business Geo-demographic Data show that there are 31,826 businesses in the assessment area, of which 72.1 percent have gross annual revenues of \$1 million or less, 4.4 percent have gross annual revenues greater than \$1 million, and the remaining 23.5 percent have unknown revenues. The high percentage of businesses with gross annual revenues of \$1 million or less (72.1%) indicates a potential demand for small business loans. Of total businesses in the assessment area, 15.8 percent are in low-income census tracts and 18.4 percent are in moderate-income tracts. Major employers in the assessment area include local universities, insurance companies, and retail trade.

According to the August 2014 release by the U.S. Bureau of Labor Statistics, the national unemployment rate was 6.1 percent, while the unemployment rate for the Commonwealth of Massachusetts was 5.8 percent and for the state of Connecticut was 6.6 percent. The average unemployment rate in the assessment area is 6.3 percent, which is in line with the Massachusetts, Connecticut, and national rates. Some of the individual towns in the Worcester, MA MSA and Springfield, MA MSA have unemployment rates that are higher than the Massachusetts and national rates, which might affect lending in these areas. The town of Southbridge has the highest unemployment rate of 8.2 percent and the town of Paxton has the lowest unemployment rate at 4.7%.

The Bank operates in a competitive market in Worcester County where many local and regional banks maintain a presence. Southbridge Savings Bank's primary competitors include Commerce Bank & Trust Company, Country Bank for Savings, Webster Five Cents Savings Bank, People's United Bank, and Spencer Savings Bank, as well as other national institutions including Bank of America, N.A., TD Bank, N.A. and Santander Bank, N.A. Aggregate lending data for 2012 shows 329 lenders originated 11,498 residential mortgage loans in the Bank's assessment area. Southbridge Savings Bank ranked 13<sup>th</sup> with a 1.86 percent market share. The top three lenders consisted of Wells Fargo Bank, Country Bank for Savings and Chase Bank.

## **Community Contact**

As part of the evaluation process, third parties active in the assessment area are contacted to assist in assessing the credit and community development needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and community development needs of the communities, and what credit and community development opportunities, if any, are available.

A community contact was established with an individual representing an organization that provides affordable housing and housing rehabilitation services in the city of Worcester. The contact, who has more than 20 years working in this industry in Worcester, stated the community needs credit for home improvement and repairs as the city's housing stock ages, and for homeowners that are struggling with their mortgages. The contact envisions the best method to disburse this credit would be through the creation of a community loan fund, which would mitigate the risk to the banks.

The contact would also like to see financial institutions partner with MassHousing to offer programs such as Get the Lead Out, an affordable way to remove hazardous lead paint from homes, which offers programs based on borrower income to help qualified homeowners. Overall, the contact was pleased with local financial institutions' involvement in the community.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

### **LENDING TEST**

The Lending Test considers the institution's performance pursuant to the following criteria: loan-to-deposit (LTD) ratio, assessment area concentration, borrower profile, geographic distribution, and response to CRA complaints.

The Bank's overall performance with respect to the Lending Test is Satisfactory. The following sections discuss the analysis and conclusions regarding the Bank's performance under each criterion.

#### **1. LOAN-TO-DEPOSIT (LTD) ANALYSIS**

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans and evaluates its appropriateness. The Bank's net loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition and the assessment area's credit needs.

The Bank's average net loan-to-deposit (LTD) ratio is 103.2 percent. The average LTD ratio incorporated thirteen quarters, representing the period of the quarter ending June 30, 2011 through the quarter ending June 30, 2014, as reflected in the bank's quarterly FDIC Consolidated Reports of Condition and Income (Call Reports). The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits.

The Bank's net LTD ratio has remained relatively stable since June 30, 2011. The LTD was at the lowest in the second quarter of 2013, with a ratio of 99.7 percent, and has increased slightly to its current ratio of 103.2 percent as of the end of the second quarter of 2014.

The average LTD ratios of other competitors in the Bank's assessment area were also considered over the same time period. As shown below in Table 5, the Bank's average net LTD ratio is considered high compared to its competitors. For the period under review Southbridge Savings Bank sold four loans totaling 568, to the Federal Home Loan Bank (FHLB), sold 41 loans totaling 6,868, to MassHousing and sold 47 loans totaling 9,067, to the Federal Home Loan Mortgage Corporation; however, since the fall of 2013 the Bank has kept all loans in the portfolio which explains a higher LTD ratio. The Bank's current business strategy is to grow its deposit base and expand its auto and home equity lending. Additionally, the Bank has developed the Mortgage Loan Office Sales Group to increase residential lending and has recently begun to focus its marketing efforts on its lending and deposit products, convenient services, and business accounts.

Table 4 Loan-to-Deposit Ratio Comparison			
<i>Institution</i>	<i>Total Assets* \$('000's)</i>	<i>Average LTD Ratio (%)**</i>	<i>Net Loan-To-Deposit Ratio (%)* (6/30/14)</i>
Athol Savings Bank	335.6	63.9	67.4
Bay State Savings Bank	315.9	94.9	96.4
Clinton Savings Bank	483.6	88.5	90.5
Savers Co-Operative Bank	458.1	94.7	101.9
Spencer Savings Bank	432.5	97.7	106.0
<b>Southbridge Savings Bank</b>	<b>441.6</b>	<b>103.2</b>	<b>103.2</b>

\*As of 06/30/2014; \*\*Call Reports 09/30/2011 to current 06/30/2014.

## 2. ASSESSMENT AREA(S) CONCENTRATION

This performance criterion evaluates whether the Bank is meeting the credit needs within its assessment area. The analysis includes both residential and small business loans.

Based on a review of home loan and small business data, a majority, (79.1 percent) of the Bank's lending activity occurs within the institution's assessment area. Table 4 illustrates the Bank's record of extending residential mortgage loans and small business loans inside and outside the assessment area by number and dollar amount over the period reviewed.

Table 5 - Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollar Volume (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2012										
Home Purchase	66	83.5	13	16.5	79	10,757	78.2	2,993	21.8	13,750
Refinance	110	71.0	45	29.0	155	18,211	63.7	10,372	36.3	28,583
Home Improvement	44	97.8	1	2.2	45	5,357	96.4	200	3.6	5,557
Total	220	78.9	59	21.1	279	34,325	71.7	13,565	28.3	47,890
2013										
Home Purchase	58	64.4	32	35.6	90	11,449	46.4	13,245	53.6	24,694
Refinance	114	78.6	31	21.4	145	20,061	64.9	10,848	35.1	30,909
Home Improvement	29	90.6	3	9.4	32	3,040	85.8	503	14.2	3,543
Total	201	75.3	66	24.7	267	34,550	58.4	24,596	41.6	59,146
YTD 2014										
Home Purchase	53	75.7	17	24.3	70	8,193	67.1	4,013	32.9	12,206
Refinance	39	83.0	8	17.0	47	6,630	71.0	2,709	29.0	9,339
Home Improvement	7	70.0	3	30.0	10	438	82.3	94	17.7	532
Total	99	78.0	28	22.0	127	15,261	69.1	6,816	30.9	22,077
Small Business Loans 2012	111	81.6	25	18.4	136	16,497	69.4	7,287	30.6	23,784
Small Business Loans 2013	106	82.2	23	17.8	129	18,038	73.4	6,531	26.6	24,569
Small Business loans YTD2014	74	85.1	13	14.9	87	13,228	71.9	5,163	28.1	18,391
Grand Total	811	79.1	214	20.9	1,025	131,899	67.3	64,049	32.7	195,948
Source: 2012 and YTD2013 HMDA LARs and the Bank's 2012 Small Business Loans										

Source: 2012 and YTD2013 HMDA LARs and the Bank's 2012 Small Business Loans

### Residential Lending

As shown in Table 5, the Bank originated 520 home loans totaling \$84.1 million in the assessment area during the evaluation period. This represents 77.3 percent of the total number of residential loans originated by the Bank and 65.1 percent by dollar amount. Southbridge Savings Bank is ranked 13<sup>th</sup> among its peers (329 lenders) for lending in its assessment area, and those institutions ranked higher tended to be larger national institutions. This degree of lending is reasonable, given the competition among financial institutions in the area and is indicative of a satisfactory level of responsiveness to the credit needs of borrowers inside the assessment area.

### Small Business Lending

As shown in Table 5, the Bank originated 82.7 percent of its small business loans by number, and 71.6 percent by dollar amount inside the assessment area. The Bank's originated loans totaled \$66.7 million, of which \$47.7 million was in the Bank's assessment area.

Further analysis of both the number and dollar volume of the Bank's loans revealed the number of originations is weighed more heavily than the dollar volume, as the number of loans has a more direct correlation to the number of borrowers served. The table also provides a breakout by loan type.

## **3. BORROWER PROFILE**

This performance criterion evaluates the distribution of the Bank's residential and small business loans based on borrower characteristics. Analyses were conducted of the Bank's residential mortgage loans inside the assessment area based on borrower income and the Bank's small business loans inside the assessment area based on size of business. For residential lending, emphasis is placed on loans to low- and moderate-income borrowers, and for small business lending, emphasis is placed on loans to businesses with gross annual revenues (GARs) of \$1 million or less.

Overall, the distribution of loans reflected a reasonable penetration among individuals of different income levels and businesses of different sizes, particularly low- and moderate-income borrowers and businesses with GARs of \$1 million or less.

### Residential Lending

Residential lending data was reviewed to assess how well the Bank is addressing the housing credit needs of the area's low-, moderate-, middle-, and upper-income residents. Special consideration is placed on the Bank's record of lending to low- and moderate-income borrowers residing in the assessment area. See Table 6 for information concerning the distribution of loans by borrower income. The Bank demonstrated a reasonable penetration of residential loans to borrowers of different income levels in the assessment area.

<b>Table 6 - Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Income Level</b>	<b>% of Total Families - 2010 Census</b>	<b>2012 Aggregate Lending Data (% of #)</b>	<b>Bank 2012</b>		<b>Bank 2013</b>	
			<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	25.6	10.3	17	7.7	11	5.4
<b>Moderate</b>	18.5	23.3	47	21.4	49	24.4
<b>Middle</b>	22.1	26.9	61	27.7	48	23.9
<b>Upper</b>	33.8	32.7	81	36.8	81	40.3
<b>N/A</b>	0.0	6.8	14	6.4	12	6.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>220</b>	<b>100.0</b>	<b>201</b>	<b>100.0</b>

*Source: 2012 and 2013 HMDA Data, 2010 U.S. Census Data*

The Bank's percentage of lending to low-income borrowers is lower than the aggregate's percentage of lending in 2012. The Bank originated 7.7 percent of its HMDA reportable loans to low-income borrowers while the aggregate originated 10.3 percent. It is noted that lending to low-income borrowers was significantly lower than the percentage of low-income families (25.6 percent) in the assessment area. The Bank's performance in lending to low-income borrowers is in 2012 market share report shows the Bank ranked 26<sup>th</sup> among all lenders for total applications to low-income borrowers. The Bank originated 17 loan applications with 1.2 percent of market share.

In 2013, the Bank's performance to low-income borrowers decreased to 5.4 percent and decreased slightly to 5.1% in YTD 2014 which is significantly lower than the percentage of low-income families in the assessment area. For moderate-income borrowers, the Bank's performance increased to 24.4 percent in 2013 and increased further to 26.3 percent in YTD 2014 which is slightly higher than the percentage of moderate-income families.

Table 6 shows that in 2012, upper-income borrowers accounted for the highest share of loans at 36.8 percent. The percentage of loans to the upper-income borrowers was slightly higher than the percentage of upper-income families in the area. The penetration to upper-income borrowers is in line with the fact that 33.8 percent of the area's families are upper-income. In addition, the aggregate lending was highest to upper-income borrowers at 32.7 percent. Middle-income borrowers accounted for the next highest percentage of total loans. The percentage of loans to the middle-income borrowers was higher than both the aggregate and demographics.

#### *Small Business Lending*

The Bank's small business lending activity, overall, reflects an adequate penetration among businesses of different sizes, particularly to those with GARs of \$1 million or less. Table 7 details the Bank's 2012 and 2013 distribution of lending to businesses of different sizes compared to the percentage of businesses in the assessment area.

Table 7 - Distribution of Small Business Loans by Revenues						
GARs \$(000s)	% of Total Businesses (2012)	Bank 2012		% of Total Businesses (2013)	Bank 2013	
		#	%		#	%
≤ \$1,000	72.1	64	57.7	72.7	56	52.8
> \$1,000	4.4	47	42.3	4.8	48	45.2
Not Reported	23.5	0	0.0	22.5	2	2.0
<b>Total</b>	<b>100.0</b>	<b>111</b>	<b>100.0</b>	<b>100.0</b>	<b>106</b>	<b>100.0</b>

Source: Bank Records; D&B 2012 and 2013 Business Geodemographic Data.

As an Intermediate Small Bank, the Bank is not required to collect and report small business loan data. The Bank's small business lending activity was not compared with small business aggregate data, as these data represent larger institutions that are required to report small business data. Instead, small business lending performance was compared to demographic data. As shown in Table 7, the Bank made 57.7 percent of all small business loans to businesses with GAR of \$1 million or less in 2012, which is lower than the percentage of businesses in that size category at 72.1 percent. Further, the Bank made 52.8 percent of all small business loans to businesses with GAR of \$1 million or less in 2013, which is lower than the percentage of businesses in that size category at 72.7 percent. The Bank made 55.4 percent of all small business loans to businesses with GAR of \$1 million or less in YTD 2014, the Bank appears to be trending upward.

#### 4. GEOGRAPHIC DISTRIBUTION

This criterion evaluates the distribution of the Bank's loans within the assessment area by census tract income level, with emphasis on lending in low- and moderate-income census tracts. As mentioned previously under the *Description of Assessment Area*, the Bank's assessment area comprises 92 census tracts, of which there are 13 low-income census tracts (14.1 percent), 22 moderate-income census tracts, (23.9 percent) 43 middle-income census tracts (46.7 percent), 12 upper-income census tract (13.0 percent) and 2 N/A income census tract (2.3 percent).

##### Residential Lending

Table 8 illustrates the geographic distribution of the Bank's 2012 and 2013 HMDA reportable lending performance within the assessment area. For comparison purposes, the table includes the percentage of owner-occupied housing units within each tract income category and the aggregate market lending data for 2012.

Table 8 - Distribution of Home Mortgage Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Owner-Occupied Housing Units (2010 Census)	2012 Aggregate Lending Data (% of #)	Bank 2012		Bank 2013	
			#	%	#	%
<b>Low</b>	4.0	3.1	2	0.9	5	2.5
<b>Moderate</b>	15.0	13.2	21	9.6	24	11.9
<b>Middle</b>	61.4	60.5	156	70.9	118	58.7
<b>Upper</b>	19.6	23.1	41	18.6	54	26.9
<b>N/A</b>	0.1	0.1	0	0.0	0	0.0
<b>Total</b>	<b>100.00</b>	<b>100.0</b>	<b>220</b>	<b>100.0</b>	<b>201</b>	<b>100.0</b>

Source: 2012 and 2013 HMDA Data, and 2010 US Census Data

Table 8 details the number and percentage of residential mortgage loans extended according to the income level of the census tract in which they are located. It also compares the loans to the percentage of owner-occupied housing units within each income tract. The majority of the Bank's lending is within the middle-income census tracts at 70.9 percent in 2012 and 58.7 percent in 2013, which is not unreasonable given that the majority of owner-occupied housing units are within those census tracts at 61.4 percent.

Residential lending in the assessment area's combined low- and moderate-income tracts represents 10.5 percent, and 14.4 percent, in 2012 and 2013, respectively. When compared to 19.0 percent of owner-occupied units, the Bank's performance is low. However, the analysis of the 2014 residential loans through June 30, 2014 indicates an upward trend, at 19.2 percent, of the residential loans made within low- and moderate-income tracts, thus exceeding the owner-occupied percentage.

Further, comparison of the Bank's geographic lending to the aggregate within combined low- and moderate-income tracts reveals the aggregate outperforming the Bank at 16.3. Nonetheless, the Bank's 2014 lending is considered reasonable, demonstrates a positive trend at 19.2 percent, and is both reflective of the demographics and the Bank's willingness to lend across census tracts in the assessment area.

#### Small Business Lending

Table 9 compares the geographic distribution of the Bank's small business loans within the assessment area to the business demographics. Aggregate information is not presented as the Bank

<b>Table 9 - Distribution of Small Business Loans by Census Tract Income Level</b>						
<b>Census Tract Income Level</b>	<b>% of Total Businesses 2012</b>	<b>% of Total Businesses 2013</b>	<b>Bank Loans 2012</b>		<b>Bank Loans 2013</b>	
			<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	15.8	16.0	11	10.0	10	9.4
<b>Moderate</b>	18.4	18.3	20	18.0	17	16.0
<b>Middle</b>	49.2	49.2	54	48.7	53	50.0
<b>Upper</b>	16.5	16.4	26	23.3	26	24.6
<b>N/A</b>	0.1	0.1	0	0.0	0	0.0
<b>Total</b>	100.0	100.0	111	100.0	106	100.0

*Source: Bank Records; D&B 2012 and 2013 Business demographic Data.*

The Bank demonstrated a reasonable penetration of lending throughout the assessment area, particularly in low- and moderate-income census tracts. The Bank's performance also reflects the distribution of small businesses by income tract. As displayed below in Table 6, the Bank originated 31 small business loans, or 28.0 percent, in low- and moderate-income census tracts, in 2012, and 27 small business loans, or 25.4 percent, in 2013.

The analysis of the YTD 2014 small business loans indicates that 10.8 percent and 14.9 percent of the small business loans were made within low- and moderate-income tracts, respectively. Comparing the small business lending in low- and moderate-income tracts from the 2013 data, at 16.0 percent, and 18.3 percent, respectfully, the Bank's 2014 performance is on track to be less.

Overall, the Bank has an adequate dispersion among the various census tracts.



## 5. RESPONSE TO CRA COMPLAINTS AND FAIR LENDING

The Bank has not received any CRA-related complaints during the evaluation period. As a result, this criterion was not subject to further analysis, and does not bear any weight when arriving at a Lending Test rating.

### *Fair Lending Policies and Procedures*

The Bank's fair lending performance was reviewed to determine how it conforms to the guidelines established by Regulatory Bulletin 1.3-106, the Division's Community Reinvestment and Fair Lending Policy. A review of the Bank's residential loan application files was conducted to check for fair lending issues. There was no disparate treatment evident in the file review.

### MINORITY APPLICATION FLOW

According to the 2010 U.S. Census Data, the Bank's assessment area contained a total population of 397,888 individuals, of which 23.0 percent are minorities. The assessment area's minority and ethnic population is 5.2 percent Black/African American, 3.4 percent Asian, 0.2 percent American Indian, 12.1 percent Hispanic or Latino and 2.1 percent other.

For 2012 and 2013, the Bank received 621 HMDA reportable loan applications from within its assessment area. Of these applications, 14 or 4.5 percent were received from minority applicants. For the same time period, the Bank also received 20 applications or 6.4 percent from ethnic groups of Hispanic origin within its assessment area.

The Bank's level of lending was compared with that of the aggregate's lending for the most recent year for which data was available, the year 2012. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to the following Table for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

MINORITY APPLICATION FLOW						
RACE	Bank 2012		Aggregate Data 2012		Bank 2013	
	#	%	#	%	#	%
American Indian/ Alaska Native	0	0.0	13	0.1	0	0.0
Asian	3	1.0	318	2.1	3	1.0
Black/ African American	2	0.4	234	1.6	3	1.0
Hawaiian/Pac Isl.	0	0.0	9	0.1	0	0.0
2 or more Minority	0	0.0	1	0.0	0	0.0
Joint Race (White/Minority)	3	1.0	120	0.7	0	0.0
<b>Total Minority</b>	<b>8</b>	<b>2.5</b>	<b>695</b>	<b>4.6</b>	<b>6</b>	<b>2.0</b>
White	285	89.9	11,145	73.5	267	87.8
Race Not Available	24	7.6	3,296	21.9	31	10.2
<b>Total</b>	<b>317</b>	<b>100.0</b>	<b>15,136</b>	<b>100.0</b>	<b>304</b>	<b>100.0</b>
ETHNICITY						
Hispanic or Latino	<b>11</b>	<b>3.5</b>	<b>366</b>	<b>2.4</b>	<b>4</b>	<b>1.3</b>
Not Hispanic or Latino	281	88.6	11,385	75.2	263	86.5
Joint (Hisp/Lat /Not Hisp/Lat)	<b>1</b>	<b>0.3</b>	<b>123</b>	<b>0.8</b>	<b>4</b>	<b>1.3</b>
Ethnicity Not Available	24	7.6	3,262	21.6	33	10.9
<b>Total</b>	<b>317</b>	<b>100.0</b>	<b>15,136</b>	<b>100.0</b>	<b>304</b>	<b>100.0</b>

Source: 2012 and YTD2013 HMDA LAR, 2012 HMDA Aggregate Data

The Bank's performance was below the 2012 aggregate's performance level for minority applicants. The Bank received 2.5 percent for minorities while the aggregate was 4.6 percent. The Bank's performance was slightly higher than the 2012 aggregate's performance for ethnic minorities. The Bank received 3.8 percent while the aggregate received 3.2 percent for ethnic minorities.

## **COMMUNITY DEVELOPMENT TEST**

The Community Development Test evaluates the Bank's responsiveness to the community development needs of its assessment area through the provision of community development loans, qualified investments, and community development services as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area(s). The Bank's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area.

### **Community Development Loans**

A community development loan is a loan that: (1) has community development as its primary purpose, (2) has not already been reported or collected by the Bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area.

During the evaluation period, the Bank originated 2 community development loans totaling \$642,000.

The following describes the community development loans originated during the evaluation period:

On September 20, 2013, the Bank originated a \$405,000 real estate mortgage secured by three properties located in Southbridge. The three properties consist of a six-unit property, seven-unit property and a mixed-use property with four residential units. Four of the units are designated Section 8 and two of the properties are located in moderate-income census tracts and one is located in a low-income census tract.

On November 14, 2013 the Bank originated a \$237,000 real estate mortgage secured by a five-unit property located in Worcester. Two of the five units are designated Section 8 housing and this property is located in a low-income census tract.

The Bank's community development lending performance is adequate given the institution's capacity and the need and availability of community development lending opportunities in the Bank's assessment area.

### **Qualified Investments**

A qualified investment for purposes of this CRA evaluation is a lawful investment, deposit, donation, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives.

Southbridge Savings Bank has demonstrated an adequate level of qualified investments, grants and charitable donations activity. In total, the Bank made \$2.1 million in qualified investments and charitable donations. The Bank purchased equity investments during the examination period totaling \$1.7 million. Descriptions of the Bank's equity investments are provided below.

#### Federal National Mortgage Association (FNMA) Mortgage-Backed Securities

The Bank continues to maintain FNMA mortgage-backed security purchased in January of 2005 totaling \$1,092,002. This mortgage backed security is funded by loans made to borrowers with incomes of less than 80 percent of the respective MFI where the homes securing the loans are located in Worcester. As of September 30, 2014, Southbridge Savings Bank reported a book value of \$170,263.

Small Business Investment Company (SBIC) is a private lending company which is licensed and regulated by the Small Business Administration (SBA). SBIC's offer venture capital financing to higher-risk small businesses, and SBIC loans are guaranteed by the SBA. SBICs use a combination of funds raised from private sources and money raised through the use of SBA guarantees to make equity and mezzanine capital investments in small businesses. In January of 2012 the Bank invested \$1,159,025 and in March of 2014 the bank also invested \$506,875 in this fund.

The equity investments total \$1,836,163 and is 5.3 percent of the Bank's total equities.

#### Qualified Donations

During the review period, the Bank provided \$450,672 in charitable contributions to organizations within its assessment area. Of this amount, \$236,802, or 52.5 percent, was donated in support of activities that promote community development as defined under the CRA. The Bank's qualified donations, as a percentage of pre-tax net operating income (NOI), were 2.3 percent in 2012, and 3.4 percent in 2013. The Bank's donations assisted numerous organizations that provide education and training, affordable housing, youth programs, and health and human services benefiting low- and moderate-income individuals and families.

Table 10 displays the total number and dollar amount of CRA qualified donations and grants. The table breaks out contributions according to each organization's purpose, including those that provide services for low- and moderate-income individuals, promote affordable homeownership, support small business or economic development, and revitalize low- and moderate-income areas.

Table 10 - Community Development Grants and Donations										
Activity Year	Qualifying Category									
	Affordable Housing		Community Development Organizations		Economic Development		Revitalize or Stabilize*		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$
6/30/11-12/31/11	1	100	0	0	0	0	14	25,750	15	25,850.
2012	6	2,490	0	0	1	1,500	28	74,838	35	78,828.
2013	3	3,850	1	1,000	0	0	39	90,634	43	95,484
1/1/14-9/29/14	2	3,500	0	0	0	0	22	33,140	24	36,640
<b>Total</b>	<b>12</b>	<b>9,940</b>	<b>1</b>	<b>1,000</b>	<b>1</b>	<b>1,500</b>	<b>103</b>	<b>224,362</b>	<b>117</b>	<b>236,802</b>

Source: Bank Records. \* Low- or Moderate-Income, Disaster, Distressed, or Underserved

The following is a sample of organizations that received donations/grants considered qualified investments:

**United Way of Central Massachusetts-** This organization connects people and resources to improve the community. They do this by ensuring the most vulnerable have a community safety net to stabilize them. The majority of programs funded by this organization benefit low- or moderate-income individuals.

**Boys & Girls Club of Worcester** – The mission of this organization is to enable all young people, especially those in need, to reach their full potential as productive, caring, responsible citizens.

**Habitat for Humanity** – The mission of this organization is to build decent affordable homes for families in financial need and eliminate homelessness by making decent shelter a matter of conscience and action.

**Money Management International Formally Credit Counseling-** is the largest nonprofit, full-service credit counseling agency in the United States. Since 1958, they have been helping consumers find the tools and solutions they need to achieve financial freedom. They provide professional financial guidance, credit counseling, community-wide educational programs, debt management assistance, bankruptcy counseling and education services, and housing counseling assistance to consumers via phone, Internet, and in-person sessions.

**Central Mass Housing Alliance-**This organization leads a collaborative response to homelessness that fosters long-term housing stability through prevention, quality services, education and advocacy. They also work to create a community where everyone has a home through accessing the tools and resources to obtain residential and economic stability.

**Oak Hill Community Development Corporation-**This organization is a revitalization entity serving the lower Grafton Hill area of the City of Worcester. The neighborhoods served are all inner-city neighborhoods characterized by high levels of poverty, unemployment real estate disinvestment, crime and low levels of educational attainment. Some of its activities include homeownership promotion and homeownership preservation.

**Abby Kelley Foster House, Inc.** This organization was founded in 1976 and has provided more than 11,500 homeless women and children with a safe place to stay, regroup, and rebuild. Abby's House was among the first shelters for women, with or without children, and is the largest provider of affordable housing in Worcester designed to meet their needs.

### **Qualified Community Development Services**

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance.

Based on the employees' level of involvement in such activities, the Bank's community development services are satisfactory.

## **Bank Employee Involvement**

Officers and employees of the Bank are involved in a number of local community development and non-profit organizations in various capacities. Bank personnel provide these organizations with financial and management expertise while serving as directors, officers, loan committee members, and volunteers. The following is a representative sample of the organizations that the Bank was involved with during the evaluation period. These organizations provide affordable housing, economic development, and other services to the area's low- and moderate-income geographies and residents:

**Compass Working Capital-** This organization provides incentive-based savings and financial coaching programs that enable low-income families to access opportunities, build assets, and achieve their financial aspirations. A former Senior Vice President/Retail Lending started the Committee to discuss issues affecting low income families and how Compass Working Capital can help low-income families build wealth, fix their credit, and improve their overall finances. Compass provides incentive-based savings and financial coaching programs to low-income families.

**ASPIRA-**This organization raises awareness about, advocate for, and pursue effective strategies to improve academic achievement for low and moderate income students, particularly of Hispanic decent. The Bank's Assistant Branch Manager serves on a sub-committee of the Board and offers financial expertise through fundraising.

**Residential Energy Assistance for Seniors-**This organization is committed to assisting qualifying seniors (low and moderate-income) with their energy costs in the Town of Charlton. The Bank's Branch Manager serves on the Board offering financial expertise.

**United Way Central Massachusetts-** The mission is to connect people and resources to improve the community. The organization first identifies the most immediate problems the community faces. This organization funds programs, the majority of which benefit low- or moderate-income individuals. The Bank's Controller serves on the Board of this organization and has the position of Treasurer.

**The Health Foundation of Central Massachusetts-**This organization uses its \$60 million in resources to improve the health of those who live or work in the Central Massachusetts region, with particular emphasis on the vulnerable populations and unmet needs. The Bank's Vice President/Commercial Services is a community member of the Foundation's Investment Committee.

## **Educational Services and Seminars**

Bank officers have participated in seminars and other events sponsored by the Bank during the evaluation period. These events provide opportunities for Bank representatives to inform those in attendance about the products and services offered by the Bank and to gain information about unmet credit needs in the assessment area. The following is a sample of seminars and events performed by the Bank:

- In June of 2014 the Bank's mortgage loan officer held a class on credit at the Worcester East Side Community Development Corporation. This organization stabilizes and revitalizes the East Side neighborhoods in Worcester they serve in order to improve the quality of life for all those who reside and work there. Topics discussed during this

seminar were what makes up a credit score, how to fix credit and how to build credit.

- Dress for Success promotes the economic independence of disadvantaged woman by providing attire, a network of support, and the career development tools to help women thrive in work and in life. In October of 2013 the Bank's mortgage loan officer conducted mock interviews to aid in job attainment.
- On May 17 and May 24, 2012, in conjunction with SEED, the Bank sponsored two small business workshops that focused on "Creating a Business Plan" and "Understanding the Financial Statements."
- On November 6, 2013, in conjunction with Pro-Home, Inc., the Bank presented a first time homebuyer seminar. Topics included: the importance of good credit; credit reports and FICO scores; credit management; researching lenders; types of loans; closing costs; the purchase and sales agreement; the importance of a home inspection; and the difference between a buyer's agent and a seller's agent.
- In 2013, in conjunction with NeighborWorks Southern Mass, the Bank presented four first time homebuyers workshops. Topics included: the benefits of attending a first time homebuyer workshop; down payment and closing costs assistance; review of terminology used in the home buying process; determining your budget, income, expenses and debt; finding the right home for you; making an offer and negotiating the sale price; obtaining a home inspection; and signing the purchase and sale agreement.
- The Bank participates in the "Savings Makes Cents Program" for elementary school children. The Program focuses on the ABC's of money management. The Bank has taught approximately 100 fifth grade students basic monetary concepts, including: how to open a savings account, the origin of money and basic budgeting skills. The Bank works directly with the teachers to establish opportunities for students to open savings accounts and make deposits right at their school.

### **Other Community Services**

The Bank participates in the following public and privately sponsored programs that have special features that are of particular benefit to lower-income consumers:

- The Bank participates in the Interest on Lawyers' Trust Accounts (IOLTA) program. Interest earned on the account is utilized to help fund improvements in the administration of justice and delivery of legal services to low-income clients. Year to date interest as of December 31, 2013 is \$7,047.
- Equity Builder Program – The Bank, through the Federal Home Loan Bank (FHLB) of Boston, offers the Equity Builder Program (EBP). This program offers flexible terms, conditions, and underwriting guidelines, to help serve the credit needs of low- and moderate-income homebuyers. The FHLB offers its member banks grants to provide households with incomes less than 80 percent of area median income with assistance in areas such as down payment, closing costs, and homebuyer counseling. During the evaluation period, the Bank originated 8 loans totaling \$95,000.

- The Bank participates in the Massachusetts Community and Banking Council's (MCBC) Basic Banking in Massachusetts program. This statewide program is designed to offer low cost checking and savings accounts to low- and moderate-income individuals.
- The Bank offers a hardship modification loan program that helps current borrowers to avoid foreclosure. For the period under review the bank provided nine hardship modifications totaling \$1,433,642 within the bank's assessment area that were to low-income or moderate-income borrowers.

## **APPENDIX A**

### ***General Definitions***

#### **GEOGRAPHY TERMS**

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

#### **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male



householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks at 253 Main Street, Southbridge, MA 01550."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.